

Supportive Housing Preservation Program

PROGRAM DESCRIPTION	
Goal:	<p>The goal of the Supportive Housing Preservation Program is to provide financing strategies for the preservation and improvement of existing, permanent supportive housing (including but not limited to projects in HCR's existing portfolio, including HFA, HTFC and DHCR, as well as other state-funded projects including those funded through the Homeless Housing Assistance Program (HHAP) and by the NYS Office of Mental Health (OMH).</p> <p>The program utilizes a variety of approaches designed to be responsive to the needs of supportive housing with on-site supportive services throughout New York State, including urban, suburban, and rural areas. Projects may leverage conventional sources of financing with HCR sources. HCR reserves the right to allocate funding to ensure that the broad range of statewide housing needs are met.</p>
Eligible Uses:	<p>Preservation and improvement of existing supportive housing with on-site services, including:</p> <ul style="list-style-type: none"> • Moderate to substantial rehabilitation and related soft costs to address existing conditions, replace existing components that are beyond their useful life, and include sustainability improvements to extend the useful life and energy efficiency of the project. Acquisition costs may be considered, subject to HCR review and approval. • Repositioning to address financial and capital needs. • Extension of long-term affordability. • Continued funding for on-site services must be secured from municipal, state, or federal sources.
Eligible Projects:	<p>Existing permanent supportive housing projects with on-site services, including HHAP and OMH-funded projects.</p> <p>All projects must have a service and operating award or plan currently in place. Funding may be accessed as a standalone source through the Multifamily Finance 9% RFP.</p> <p>HCR anticipates that the operating funding from the services and operating source should at least cover real estate maintenance and operating expenses for the supportive housing units. Where feasible, applicants should underwrite rents for supportive housing units at an amount affordable to households earning at least 30% and no more than 60% AMI.</p> <p>Applicants may bundle multiple, eligible permanent supportive housing projects where appropriate to improve operations and/or financial feasibility.</p>

	Eligible projects with existing non-supportive units must comply with all regulations, restrictions, and compliance requirements as applicable to those units.
Priorities:	Projects comprised of at least 50% supportive housing units will have priority.
Eligible Borrowers:	<p>Not-for-profit corporations or charitable organizations, or a wholly owned subsidiary of such corporations or organizations, or private for-profit developers. Funding will be prioritized for projects controlled by not-for-profit organizations. The following arrangements are acceptable demonstrations of not-for-profit control:</p> <ul style="list-style-type: none"> • 100% Not-for-profit Development: Projects where the sponsor(s)/developer(s) are not-for-profits. The project will be developed and owned by a not-for-profit or a partnership of not-for-profits during construction and after conversion to permanent financing. • Turnkey Development: Projects where a not-for-profit partner is in a fee development structure with a for-profit partner where the ownership of the project is turned over to the not-for-profit provider after construction completion. • Joint Ventures with Majority Not-for-profit Control: Partnerships between not-for-profit and for-profit entities where the majority ownership is by the not-for-profit (at least 51% ownership by the not-for-profit of the controlling entity of the property owner). Such partnerships ensure that not-for-profit has day-to-day and long-term management control over the properties. <p>The sponsor, management company and principal participants in the project must be in good standing, not be in default under any existing mortgage financing and must meet all HCR credit review criteria.</p> <p>HCR, at its discretion, may recommend and/or require consulting services to aid eligible borrowers for technical assistance when deemed necessary.</p>
AFFORDABILITY REQUIREMENTS	
Affordability Requirements:	Projects must comply with all income, occupancy and rent restrictions outlined in current and any supplemental regulatory agreements or other applicable subsidy program terms (for example, HCR's Senior Housing Program).
Rent Limits:	<p><i>For all income-restricted units:</i> gross rents cannot exceed 30% of the applicable percentage of AMI adjusted for family size. In some cases, HCR/HFA may allow an income band if required by other funders of the project to accommodate specific public policy goals. For example, maximum rents set at 57% of AMI may be permitted for a unit restricted for households earning up to 60% of AMI.</p> <p><i>In New York City:</i> subsequent rent increases for restricted units will be governed by the lower of AMI, rent stabilization increases or by other legislation.</p>
Regulatory Agreement:	<i>Projects utilizing new HCR financing:</i> will be required to enter into a Regulatory Agreement to ensure compliance with HCR policy including but not limited to, income

	<p>restrictions, LIHTC requirements, restrictions on transfers, and financial reporting, for a minimum period of 40 years.</p> <p><i>Projects that are <u>not</u> utilizing new HCR financing but are seeking to modify existing loan terms, utilize existing reserves, and/or extend affordability:</i> will be required to enter into a Regulatory Agreement or amend and restate an existing Regulatory Agreement for an additional minimum period of 15-40 years, or as otherwise determined by HCR.</p> <p><i>The Regulatory Agreement:</i> must be executed prior to financing. Requirements imposed by other loan and/or subsidy sources may be more restrictive but must be consistent with the HCR/HFA Regulatory Agreement.</p>
Section 8 Project Based Vouchers (PBVs):	<p>Projects with existing Section 8 Project Based Rental Assistance or Project Based Vouchers must renew and extend existing contracts.</p> <p>Projects without existing Section 8 Project Based Rental Assistance or Project Based Vouchers are encouraged to apply for PBVs through HCR's Request for Proposals as they are made available: https://hcr.ny.gov/</p> <p>Projects may seek other local or municipal administrators of Section 8 PBVs separately or in conjunction with HCR's program.</p> <p>The goals of HCR's Section 8 PBV program are to:</p> <ul style="list-style-type: none"> • Increase the supply of quality housing that is affordable to low-income households in communities across New York State in support of de-concentration of poverty and expanding housing and economic opportunities. • Preserve the long-term viability of existing affordable housing previously assisted with Federal and State investments. <p>The targeted income for Section 8 PBVs includes:</p> <ul style="list-style-type: none"> • Very low (50% AMI) and extremely low income (30% AMI) [minimum 75% of new admissions for the HCV program (which includes PBVs) must be at or below 30 % AMI].
Subsidy Layering Review:	<p>The U.S. Department of Housing and Urban Development (HUD) requires that a Subsidy Layering Review (SLR) be conducted for all projects receiving Federal government subsidies, in addition to HUD assistance, to ensure that a project does not receive excessive public funds.</p>
Real Estate Tax Exemption:	<p>Evidence of an existing real estate full or partial tax exemption or Payment In Lieu Of Taxes (PILOT) Agreement, or evidence of a local municipality's or industrial development agency's commitment for same is required with an application. All projects are required to have a full or partial tax exemption in place at repositioning.</p>
Ownership Transfer:	<p>Ownership transfers (of the General Partner and/or the Limited or Investment Partner) must receive HCR consent to transfer ownership, with certain limited</p>

	exceptions. The applicant must provide notice to HCR and comply with the relevant terms of the Regulatory Agreement and HCR guidance for Agency review. Failure to obtain Agency consent may result in certain penalties.
LOAN TERMS	
Maximum Award:	Up to \$150,000 per supportive unit. Per-unit subsidies may be reduced for projects utilizing other sources, including private/conventional debt, borrower equity, existing project reserves, seller's note (as supported by current appraisal) and other subsidies.
Interest Rates and Fees:	<p>Application Fee: \$5,000</p> <p>Interest and Servicing:</p> <ul style="list-style-type: none"> • 0.25% interest-only paid during construction and permanent. • 0.25% servicing fee paid during construction and permanent.
Term:	<p>Expected minimum permanent term of 30 years. Longer terms and balloons will be considered on a case-by-case basis and may warrant a higher mortgage rate.</p> <p>Debt Service Coverage Ratio (DCR): Minimum of 1.15 for all loans requiring debt service and/or paid interest.</p>
Construction Loan Amount:	For construction loans funded by subsidy program funds, up to 90% of the total amount of subsidy is available during construction.
Existing Subordinate HCR Debt:	<p>Existing HCR debt may be subordinated to the new financing and extended to run concurrent with the new regulatory term at current interest rate up to 1% per annum inclusive of 0.25% servicing fee.</p> <p>HCR reserves the right to review and modify such loan terms as interest rate, duration, payment requirements, maximum and per unit amount restrictions, income restrictions, availability during construction and permanent periods per HCR's discretion. In some cases, terms are guided the by statute limitation of the program.</p>
UNDERWRITING REQUIREMENTS	
Revenue & Expenses:	<p><i>HCR will utilize the following underwriting standards:</i></p> <ul style="list-style-type: none"> • I & E Trending: 2% income increase and 3% expense increase. • Vacancy and Collection Loss Rate: 5% for affordable residential, 10% for market residential and 10% for commercial (unidentified commercial revenue will not be included towards first mortgage loan sizing)
Developer's Fee:	A developer fee of up to 10% of the Total Development Cost, inclusive of any consultant fees is permitted, subject to HCR approval.

Reserves:	<p><i>Replacement Reserve Pre-Funded (Capitalized):</i> Minimum \$1,500 per unit Reserve for Replacement requirement pre-funded at closing. Depending on a project's capital needs as evidenced in an IPNA, this requirement may be increased to \$2,000 per unit. Reserves required by other funders may be used to satisfy this minimum.</p> <p><i>Replacement Reserve Annualized:</i> At a minimum the required annual deposit is \$300 per unit into a Reserves for Replacement account, payable monthly. This amount, however, is subject to adjustment, depending on project requirements the deposit may be the greater of the following: existing reserve funding requirements, 3% of Gross Rent Potential, or \$300 per unit per year.</p> <p><i>Existing Reserves:</i> any existing reserves must remain with the project and be used as source (for example, to fund new reserve requirements or capital needs) to reduce or eliminate the need for HCR subsidy.</p>
Contingencies:	<p>Hard Cost Contingency: 10% of hard costs net of contingent costs.</p> <p>Soft Cost Contingency: Maximum 5% of soft costs less fees and reserves.</p> <p>For projects in receipt of HCR subsidy, upon project conversion, the balance of all unutilized contingencies may be used to reduce HCR subsidy.</p>
REVIEWS AND APPROVALS	
Scope of Work: IPNA	<p>An Integrated Physical Needs Assessment (IPNA), a physical or capital needs assessment combined with an energy audit, illustrating the basis for the scope of services must accompany the application. Additional information on the IPNA assessment tool and the template for completing the IPNA can be found at: https://hcr.ny.gov/sustainability-guidelines</p>
Sustainability Guidelines / Clean Energy Initiative (CEI)	<p>Projects should meet HCR's Green Building Requirements for Preservation-Existing Housing found in the Sustainability Guidelines for Existing Buildings. More information can be found at: https://hcr.ny.gov/sustainability-guidelines</p> <p>Projects may be eligible for up to \$25,000/unit in additional funding under the Clean Energy Initiative (CEI). These funds are made available to a select number of existing building renovation projects who are interested in and committed to meeting HCR's Stretch Sustainability Goals for existing buildings, which can be described as steps towards a highly efficient, all-electric buildings, (carbon neutral-ready). Projects with over 250 units may apply but will be subject to a per project maximum of 250 units (or \$6,250,000). For more information: https://hcr.ny.gov/clean-energy-initiative</p> <p>Projects where energy program standards would be detrimental to National Parks Service (NPS) or NYS Historic Preservation Office (SHPO) mandates for historic preservation, and efficiency measures undermine the financial viability of preservation of an existing building may request a waiver of specific items. There must be documentation of the specific items of standards and green guidelines that do not comply with requirements of NPS/SHPO, impact historic tax credits or undermine the overall feasibility of the project.</p>

HCR Design Guidelines:	<p>The HCR Design Guidelines apply to all projects applying for funding administered by HCR-HFA. The Guidelines apply to new construction, substantial rehabilitation projects and to the greatest degree practical historic rehabilitation projects, including historic adaptive reuse projects. For moderate rehabilitation projects, see Appendix A of the Design Guidelines for more information: https://hcr.ny.gov/sustainability-guidelines</p> <p>Please note the HCR Design Guidelines are subject to periodic updates and revisions and applicants should be aware of any changes as necessary when applying.</p>
Benchmarking:	<p>HCR requires that properties more than 25,000 square feet report annual whole building energy and water usage data through either a third-party benchmarking service provider or direct monthly utility data imports from the property's utility providers. The utility data including fuel, electricity and water is to be uploaded to an EPA ENERGY STAR Portfolio Manager® account designated by HCR and shared on an annual basis. Reporting will continue throughout the duration of the project's regulatory agreement as part of asset management. Preservation projects must submit two prior years of utility use data to HCR in this benchmarking format as part of the application.</p>
Environmental:	<p>For every project (new construction and preservation), the Agency's Environmental Analysis Unit (EAU) requires that the applicant complete and submit the following with the application:</p> <ol style="list-style-type: none"> (1) Pre-Application: Site Suitability Analysis, to be reviewed and cleared by EAU prior to any further review. (2) Part 1 of the Short Environmental Assessment Form (EAF) fully executed. The updated form can be found at: http://www.dec.ny.gov/docs/permits_ej_operations_pdf/617revseaf1.pdf <p>If EAU determines that the project should be classified as a Type I Action, the Full Environmental Assessment Form will be required and requested from the applicant.</p> <p>OR</p> <p>If another entity has assumed the lead agency designation for coordinated review, a copy of the EAF-Part 1 submitted to that entity and any additional State Environmental Quality Review Act (SEQR) documentation submitted or received from that entity (e.g., Part 2, Negative Declaration, or EIS) must be submitted with the application.</p> <ol style="list-style-type: none"> (3) Phase I Environmental Site Assessment Report (A Phase II Environmental Site Assessment Report may be required and requested from the applicant as applicable). (4) The New York State Historic Preservation Office impact determination letter OR if the determination is pending, the confirmation notice from the New York State Office of Parks Recreation and Historic Preservation's Cultural

	<p>Resource Information System acknowledging that an application has been filed for an impact determination: https://cris.parks.ny.gov</p> <p>EAU will conduct an initial review and then issue a Follow-Up Letter (FUL) identifying additional required submissions specific to the project's site and/or proposed scope of work.</p> <p>Additional required environmental analysis submissions/processes identified in the FUL may include, but are not limited to:</p> <ul style="list-style-type: none"> • Full Environmental Assessment Form for actions classified as Type 1 by EAU; • Floodplain FIRM Map locating the proposed project site(s); • Phase 2 Environmental Site Assessment Report • Asbestos-containing materials survey (ACM) for preservation projects; • Lead-based paint survey (LBP) for preservation projects constructed before 1978; • Copies of prior environmental review documents and technical reports for preservation projects with existing HCR financing; • National Environmental Policy Act (NEPA) review in accordance with 24 C.F.R. Sections 58.5, 58.6 for projects receiving federal subsidies or utilizing vouchers.
EQUAL OPPORTUNITY GOALS	
Fair Housing and Equal Opportunity (FEHO):	<p>All applications must comply with all HCR marketing guidelines and meet the mission and requirements of HCR's Fair and Equitable Housing Office (FEHO), including but not limited to the submission of an Affirmative Fair Housing Marketing Plan. More information on FEHO's requirements can be found on HCR's website: https://hcr.ny.gov/feho</p>
Office of Economic Opportunity and Partnership Development (OEOPD):	<p>All applications must comply with and meet the requirements of HCR's Office of Economic Opportunity and Partnership Development (OEOPD), including but not limited to the participation of Minority and Women-Owned Business Enterprises (MWBEs) and Service-Disabled Veteran-Owned Business Enterprises (SDVOBs). More information on OEOPD's requirements can be found on HCR's website: https://hcr.ny.gov/oeopd</p>
CONTACT INFORMATION	
Pre-application Technical Assistance:	<p>All applicants are required to: (1) schedule a technical assistance session with an HCR Development Director prior to any review of an application, and (2) submit a concept paper in advance of scheduling an initial technical assistance session. The concept paper should include:</p> <ul style="list-style-type: none"> • Project Narrative • Preliminary drawings and/or IPNA, zoning calculations • Phase 1 Environmental Survey • Proposed organizational chart with narrative describing ownership structure • Statement from project architect affirming compliance with HFA design

	<p>guidelines</p> <ul style="list-style-type: none"> • Site Suitability Worksheet • Appraisal • Development Budget • Letters of Cooperation or Support: If available, please attach LOI, letters of support or award letters from outside financing or subsidy sources including those from municipalities <p>HCR's Development Directors will conduct the initial evaluation of proposals for technical assistance in conjunction with HCR's Director of Preservation Initiatives.</p> <p><i>For New York City, Westchester, Rockland and Long Island Region proposals:</i> Ross Karp: ross.karp@hcr.ny.gov</p> <p><i>For Mid-Hudson, Capital, Mohawk Valley and North Country Region proposals:</i> Darren Scott: darren.scott@hcr.ny.gov</p> <p><i>For Western New York, Central New York, Finger Lakes and Southern Tier Region proposals:</i> Leonard Skrill: leonard.skrill@hcr.ny.gov</p>
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HCR, in its sole discretion, may, at any time and without prior notice, terminate the effectiveness of this Term Sheet, amend or waive compliance with any of its terms, or reject any or all proposals for funding.